

**PILOT LOCAL GOVERNMENT
PARTNERSHIP PROGRAM**

**GUIDEBOOK FOR THE
STRATEGIC USE OF
INFORMATION FOR ECONOMIC
DEVELOPMENT**

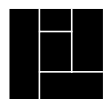
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PILOT LOCAL GOVERNMENT PARTNERSHIP PROGRAM

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INTRODUCTION

Pilot LGPP economic development assistance began for each partner city with an information gathering trip because information is crucial to economic development planning. Strategic decisions are based upon information, and so an economic development strategy begins with compilation of a data base.

Polish cities already are compiling data to meet the data collection and analysis requirements imposed by the national land planning law for a Studium. Much of this data has additional uses for economic development. With a few additions of comparative data, it can be used to support an economic scan. Put into another format, it is the basis for an information package for private investors. It is useful when preparing grant applications.

This report describes those uses of data for economic development purposes. It summarizes the process for compiling a comprehensive database and then discusses how the data is transformed into useful information in an economic scan and as a marketing tool. Its use in grant applications is noted briefly.

BUILDING THE DATABASE: THE COMMUNITY PROFILE

The economic development database can be drawn in part from the Studium or compiled separately. Once the database is compiled, it should be maintained (updated) as new data becomes available. This function usually is the responsibility of the lead agency for local economic development. Assistance may be available from the regional development agency. When allocating resources to this task, it is important to remember that the database is a tool and not an end in itself.

Building the economic database has four steps:

- Define the target area. At its simplest, the target area is a single jurisdiction. Optimally, it is the area for which data are available that best describes the local market for goods, services and labor. It often includes neighboring local governments, particularly when local governments are working together to promote economic development.
- Compile current economic, demographic, physical, and governmental data that is available for the defined area. The data items describe the population and the economic base, the infrastructure, the availability and costs of utilities, income, education levels, employment by industry and location, unemployment, production and shipments, property values and tax collections. The database should include a list of data sources and attribute each data series to its source. The Community Profile, which was prepared for the Pilot LGPP by the Polish consulting firm FISE, illustrates the variety of data that can be compiled at the local level.

- Analyze the data to describe current conditions and recent trends and to establish benchmarks against which progress can be measured. For key economic measures, compile the same statistics for the voivodship or a locally defined larger region and the nation or national norms.
- Gather information on expected major job changes, gains from new facilities and losses from restructuring and liquidation. This data predicts emerging issues and indicates where projections should deviate from historic trends.

SCANNING: A QUICK LOOK AT THE ECONOMIC ENVIRONMENT

Introduction

The scan is an initial step for economic development planning in a market economy, and it is a procedure that is repeated at regular intervals, usually each year when new statistics become available. The scan itself is compact. It is diagnostic rather than comprehensive. The purpose of a scan is to analyze a few key data items to indicate both a general picture of the local economic conditions and where further study is needed. It uses a minimum number of measures and analyzes them in both absolute and relative terms.

Comparisons between the target area and other regions are an important technique for the scan. Such comparisons may not have been useful in a centrally planned economy, but they are important to understand trends in a market-driven economy where consumers and investors are making choices that shape economic trends. Those choices are made by considering not just the local situation, but the local situation relative to alternative situations.

Contents of a Typical Scan

The economic scan begins by introducing the target area with a brief description giving its physical location and general characteristics, salient historic points, and if possible, providing a map. The body of the scan has three main components:

- An analysis of social and economic trends
- An inventory of the institutional and programmatic resources supporting economic development
- An assessment of the local business climate

The analysis of social and economic trends uses data describing population, income, employment and the economic base. If another topic is of concern, the relevant measures are added to the scan. For example, if housing is a concern, then the scan would include measures of housing supply, demand and condition. If the commercial sector is a concern, the scan would include retail sales and sales tax data. The following is a minimum list of the measures used in a typical scan. Measures are scanned on a comparative basis; that is, local trends are compared to those in a larger region and/or to a national norm.

Table 1



Analysis of Social and Economic Trends

Topic	Measures Used
Population	<ul style="list-style-type: none">• Total population• Births and deaths• Migration• Age and sex distribution• Population in the labor force• Educational levels
Income	<ul style="list-style-type: none">• Total personal income• Income per capita• Household income distribution
Employment and Economic Base	<ul style="list-style-type: none">• Total employment• Employment by major industrial sector• Unemployment - level and rate• Production & shipments by major industry• List of major employers• Expected major job changes - gains from new facilities, losses from restructuring and liquidation

The following table illustrates a typical format for data presentation in a scan, using 1990-1995 population change in Kutno as an example. (Although this table includes only Kutno and Poland, a scan frequently includes an intermediate area such as the Voivodship or a relevant norm such as the average for all Polish cities.) This format is useful for other data items; for example, personal income per capita or total employment. Expressing all rates of change as an index relative to the national level, which always is set equal to 1.00, simplifies comparisons over time and between areas.

Table 2
1990-95 Population Trends, Kutno

Area	1990 Total Population	1995 Total Population	1990-95 Percent Change	1990-95 Change Index
Kutno	50,408	50,903	1.0	.55
Poland	38,112,000	38,800,000	1.8	1.00

The data in this table shows that the population of Kutno has increased at only 55% of the national rate, which is a significant variation from the national average. This scan information suggests that the economic development strategists seek the reasons that population growth has been slow and its implications for the future. Why are people choosing to live elsewhere? What does this mean to Kutno's future? Thus, the comparisons in the scan direct further study that in turn, informs the economic development strategy.

More complex measures such as employment by sector often are presented in two tables. The first looks at the changes in each sector. The format below, which uses 1993-1995 employment trends in Gliwice as an example, reveals the variations in sector employment levels and trends.

Table 3
1993-1995 Employment Trends by Sector, Gliwice

Sector	1993	1994	1995	1993-94 Change (Percent)	1994-95 Change (Percent)
Total Non-Ag	81,485	81,817	82,498	0.4	0.8
Construction	5,927	6,573	6,711	10.9	2.1
Industry	33,735	32,066	30,253	-4.9	-5.7
Trade & Repair	5,927	6,573	6,711	10.9	2.1
Transport, Storage & Communication	4,108	6,472	6,631	57.5	2.5
Education	7,937	6,864	6,733	-13.5	-1.9
Health Care & Welfare	4,163	4,966	4,839	19.3	-2.6



The second employment trends table would, like the population example, compare the target area to one or more other areas, including a national norm. Non-statistical data such as the names of the major private employers is presented in list format or discussed in the text.

Resources for Economic Development

Economic development resources include organizations that provide management and technical assistance to business. Examples include both government and non-government organizations—regional and local economic development agencies, the Chamber of Commerce, Business Information Centers, local foundations for business, programs at local universities, offices of the Ministry of Labor, and other entities with similar activities.

The scan identifies the agencies, the type of services they provide, their service provision capacity and demand for services. An important question is how they work together. Do agencies coordinate to ensure there are neither overlaps nor gaps in the business support network nor competition between service providers? Do they use cross referrals to ensure that service needs are met?

Other examples of economic development resources are natural resources, good transportation systems, research and development operations, the skills of the local labor force, capital resources of local financial institutions, special economic zones, duty-free zones, incubators, industrial and research parks. All are assets for local economic development. An organized list of economic development resources can be compiled through research. It also can be compiled or expanded in a planning workshop. For example, resources for economic development can be identified as strengths in a SWOT analysis.

Business Climate

Business climate describes the local environment for private sector economic activity. It focuses on how the local government interacts with private business, asking if local government is creating a climate that supports private sector economic activity. The business climate is made increasingly important by privatization, the on-going separation of government and business. It is a factor in attracting—or repelling—foreign investment. The following lists topics and key questions for evaluating the local business climate. Again, this is a minimal list. Factors can and should be added to reflect local conditions and concerns.

Table 4
Factors in the Business Climate

Local Planning	<ul style="list-style-type: none"> Is there a local economic development strategy? Has the local government followed its own plans and shown consistency in dealing with investors?
Local Taxes	<ul style="list-style-type: none"> Are property taxes reasonable given the level of local services? Are there abatements for business investments that implement the local economic development strategy? Can investors predict their tax burden with some certainty?
Local Regulatory Environment	<ul style="list-style-type: none"> Is assistance available to help investors comply with local permit and licensing requirements? Are regulations reasonable and predictable? Is local enforcement consistent?
Local Service Provision	<ul style="list-style-type: none"> Are government services such as police and fire protection adequate? Are local schools good? If utilities or environmental facilities are municipally-owned, are they well run?
Municipal Asset Management	<ul style="list-style-type: none"> Does the local government maintain the buildings and properties that it owns? How well are local transportation and environmental infrastructures maintained?

As the questions reveal, evaluation of the business climate is the most subjective part of an economic scan. Still, it should be done as objectively as possible. An outside indicator of business climate, one not susceptible to local political prejudices, is the amount of outside investment an area attracts. Trends in outside investment reveal how investors assess the local environment for private economic activity. The Community Portrait database, in section 3, includes measures that can help define the business climate.

Follow-up Analysis

Like the database, the scan is a tool for economic development not an end in itself. The job of the scan is to identify areas for further study. The results of the further study are the more useful inputs to planning processes.

The example used earlier was slow population growth. The scan also can reveal deficiencies in local business resources or problems in the business climate. The difference does not have to be negative. If a scan revealed that the area was adding jobs at twice the national average, that should lead to questions about both the cause and impact. Why are jobs increasing so quickly? Is it a broad-based phenomenon and likely to continue or does it reflect the recent opening of one large new facility? If it is expected to continue, are we facing possible labor shortages? Are workers attracted from other areas going to place heavy burdens on our housing supply?

Thus, it is important not to spend excessive amounts of time and resources either compiling the database or producing the scan. Sufficient time and resources should be reserved for follow-up analysis.



Because the role of the scan is to identify issues for further analysis, you undertake a scan with the understanding that there will be follow-up analysis.

MARKETING: INFORMATION FOR POTENTIAL INVESTORS

Introduction

It is the responsibility of an investor to make investment decisions that, based upon as much information as can be gathered in a timely manner, are likely to succeed. Thus, a marketing program should provide the potential investor with relevant information in a convenient and easily understood format. A basic marketing technique is to put together an investor package, which then is given to potential investors who request information and also distributed to potential investors that the area is trying to attract.

The investor packet stresses the positive aspects of information and tries to create a good impression, but information must be accurate. The appropriate contents of an investor packet are best imagined by putting yourself in the position of a person considering an investment in an unfamiliar location. What do you need to know before you make a commitment?

For you the potential investor, the most important information is the name and telephone number of a person who can either answer your additional questions or put you in touch with someone who can. The second most useful item is a map of the area. Additional items are those that help you as an investor evaluate the opportunities and costs of conducting business in the location you are considering.

The following lists the contents of a typical investor package that would be sent to a person who asked for information about a US city. It can be adapted easily to the Polish situation.

A Typical Investor Package

- **Folder.** The investor package is put together in a folder with the economic development organization's name, trademark, address and phone numbers on the cover. Most have toll-free numbers so that potential investors can call them free of charge.

- **Form Letter.** Inside there is a ONE-PAGE form letter addressed to the person who requested the information. This letter gives the highlights of the positive data about the locality. It offers further assistance with site selection and encourages the recipient to review the enclosed material and then call to discuss potential investments.

- **Contact Person.** There is ALWAYS the name and phone number of an individual at the organization who can be called for additional information. The name and phone number are in the letter and on a business card that is attached to the folder.

■ **A Street Map** of the local area is enclosed. It is suitable for use by a motorist. The maps show the location of local schools, hospitals, parks, government buildings, industrial or business parks, incubators, tourist facilities, and other points of interest.

■ **Socio-Economic Information.** One or more short publications provide statistical information in a format similar to the economic scan. The data describes the city itself, the larger market area served by the city, the county, the multi-county region, and the state. The comparable areas for Poland could be the gmina, the grouping of gminas that had been a powiat, the voivodship, and because some potential investors will be foreigners, the nation.

The following list groups the data items by category, because there are so many. This list may be customized for each area, but a comprehensive information packet is best.

- **Basic Data** are provided for all units of analysis with both current levels and recent trends. The data, which usually is the same data used in the economic scan, is presented in easy to understand tables and graphs. It may use some of the same tables as the economic scan. These tables describe:
 - Population, total, by age, by sex, by educational attainment, and by household status
 - Employment, total and by industries
 - Available workforce
 - Dollar amount of payrolls, total and for key industries
 - Per capita and household income
- **Measures of Local Economic Activity** are given for market areas and include some trend data:
 - Retail sales and sales tax collections
 - Assessed property values
 - Number of automobiles
 - Traffic counts for major highways
 - Number of passengers using airports
 - List of major employers



- **Local Economic Infrastructure** is described by the available resources:
 - Utility services - costs and capacities - electric, gas, water, sewer
 - Transportation infrastructure
 - Motor freight carriers
 - Airports
 - Highways
 - Waterways
 - industrial parks
 - Economic development agencies
 - The number of hotel rooms
- **Local Facilities for Residents** are described by the current level of:
 - Enrollment and teachers in public and private schools, technical schools, colleges and universities
 - Hospital beds, medical and dental clinics and practitioners
 - Parks and recreational facilities
 - Museums
- **Government Activity** relevant to business is described by current levels of:
 - State and local tax rates
 - Government services - especially police and fire protection

Other information items are distance by highway and rail from major cities, climate, and unique local amenities such as natural and historic attractions.

ANOTHER USE: GRANT APPLICATIONS

The responsibility of the investor to make investment decisions based upon information extends to public sector money as well as private. The local government that has compiled a good community profile database will find that it is a step ahead of the competition when it comes time to prepare grant applications. Similarly, data analysis done for the scan and used in the investor package may also prove useful when putting together the grant application.